

AMENDED IN SENATE APRIL 5, 2010

SENATE BILL

No. 1344

**Introduced by Senator Kehoe
(Coauthors: Senators Cogdill, Cox, Price, and Wiggins)**

February 19, 2010

An act to amend Sections 53601.8 and 53635.8 of the Government Code, relating to local agency investments.

LEGISLATIVE COUNSEL'S DIGEST

SB 1344, as amended, Kehoe. Local agency investments.

Existing law prescribes the instruments in, and criteria by, which local agencies, as defined, may invest surplus funds. Existing law authorizes, until January 1, 2012, the investment of up to 30% of those funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit under specified conditions.

This bill would delete the January 1, 2012, sunset date for these provisions, thereby extending the operation of these provisions indefinitely.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 53601.8 of the Government Code is
- 2 amended to read:
- 3 53601.8. Notwithstanding Section 53601 or any other provision
- 4 of this code, a local agency *that has the authority under law to*

1 *invest funds*, at its discretion, may invest a portion of its surplus
2 funds in certificates of deposit at a commercial bank, savings bank,
3 savings and loan association, or credit union that uses a private
4 sector entity that assists in the placement of certificates of deposit,
5 provided that the purchases of certificates of deposit pursuant to
6 this section, Section 53635.8, and subdivision (i) of Section 53601
7 do not, in total, exceed 30 percent of the agency's funds that may
8 be invested for this purpose. The following conditions shall apply:

9 (a) The local agency shall choose a nationally or state chartered
10 commercial bank, savings bank, savings and loan association, or
11 credit union in this state to invest the funds, which shall be known
12 as the "selected" depository institution.

13 (b) The selected depository institution may submit the funds to
14 a private sector entity that assists in the placement of certificates
15 of deposit with one or more commercial banks, savings banks,
16 savings and loan associations, or credit unions that are located in
17 the United States, for the local agency's account.

18 (c) The full amount of the principal and the interest that may
19 be accrued during the maximum term of each certificate of deposit
20 shall at all times be insured by the Federal Deposit Insurance
21 Corporation or the National Credit Union Administration.

22 (d) The selected depository institution shall serve as a custodian
23 for each certificate of deposit that is issued with the placement
24 service for the local agency's account.

25 (e) At the same time the local agency's funds are deposited and
26 the certificates of deposit are issued, the selected depository
27 institution shall receive an amount of deposits from other
28 commercial banks, savings banks, savings and loan associations,
29 or credit unions that, in total, are equal to, or greater than, the full
30 amount of the principal that the local agency initially deposited
31 through the selected depository institution for investment.

32 (f) Notwithstanding subdivisions (a) to (e), inclusive, no credit
33 union may act as a selected depository institution under this section
34 or Section 53635.8 unless both of the following conditions are
35 satisfied:

36 (1) The credit union offers federal depository insurance through
37 the National Credit Union Administration.

38 (2) The credit union is in possession of written guidance or other
39 written communication from the National Credit Union
40 Administration authorizing participation of federally insured credit

1 unions in one or more certificate of deposit placement services
2 and affirming that the moneys held by those credit unions while
3 participating in a deposit placement service will at all times be
4 insured by the federal government.

5 (g) It is the intent of the Legislature that nothing in this section
6 shall restrict competition among private sector entities that provide
7 placement services pursuant to this section.

8 SEC. 2. Section 53635.8 of the Government Code is amended
9 to read:

10 53635.8. Notwithstanding Section 53601 or any other provision
11 of this code, a local agency *that has the authority under law to*
12 *invest funds*, at its discretion, may invest a portion of its surplus
13 funds in certificates of deposit at a commercial bank, savings bank,
14 savings and loan association, or credit union that uses a private
15 sector entity that assists in the placement of certificates of deposit,
16 provided that the purchases of certificates of deposit pursuant to
17 this section, Section 53601.8, and subdivision (i) of Section 53601
18 do not, in total, exceed 30 percent of the agency's funds that may
19 be invested for this purpose. The following conditions shall apply:

20 (a) The local agency shall choose a nationally or state-chartered
21 commercial bank, savings bank, savings and loan association, or
22 credit union in this state to invest the funds, which shall be known
23 as the "selected" depository institution.

24 (b) The selected depository institution may submit the funds to
25 a private sector entity that assists in the placement of certificates
26 of deposit with one or more commercial banks, savings banks,
27 savings and loan associations, or credit unions that are located in
28 the United States, for the local agency's account.

29 (c) The full amount of the principal and the interest that may
30 be accrued during the maximum term of each certificate of deposit
31 shall at all times be insured by the Federal Deposit Insurance
32 Corporation or the National Credit Union Administration.

33 (d) The selected depository institution shall serve as a custodian
34 for each certificate of deposit that is issued with the placement
35 service for the local agency's account.

36 (e) At the same time the local agency's funds are deposited and
37 the certificates of deposit are issued, the selected depository
38 institution shall receive an amount of deposits from other
39 commercial banks, savings banks, savings and loan associations,
40 or credit unions that, in total, are equal to, or greater than, the full

1 amount of the principal that the local agency initially deposited
2 through the selected depository institution for investment.

3 (f) Notwithstanding subdivisions (a) to (e), inclusive, no credit
4 union may act as a selected depository institution under this section
5 or Section 53601.8 unless both of the following conditions are
6 satisfied:

7 (1) The credit union offers federal depository insurance through
8 the National Credit Union Administration.

9 (2) The credit union is in possession of written guidance or other
10 written communication from the National Credit Union
11 Administration authorizing participation of federally insured credit
12 unions in one or more certificate of deposit placement services
13 and affirming that the moneys held by those credit unions while
14 participating in a deposit placement service will at all times be
15 insured by the federal government.

16 (g) It is the intent of the Legislature that nothing in this section
17 shall restrict competition among private sector entities that provide
18 placement services pursuant to this section.